Department of Defense Performance Management Initiatives

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Acquisition Resources and Analysis

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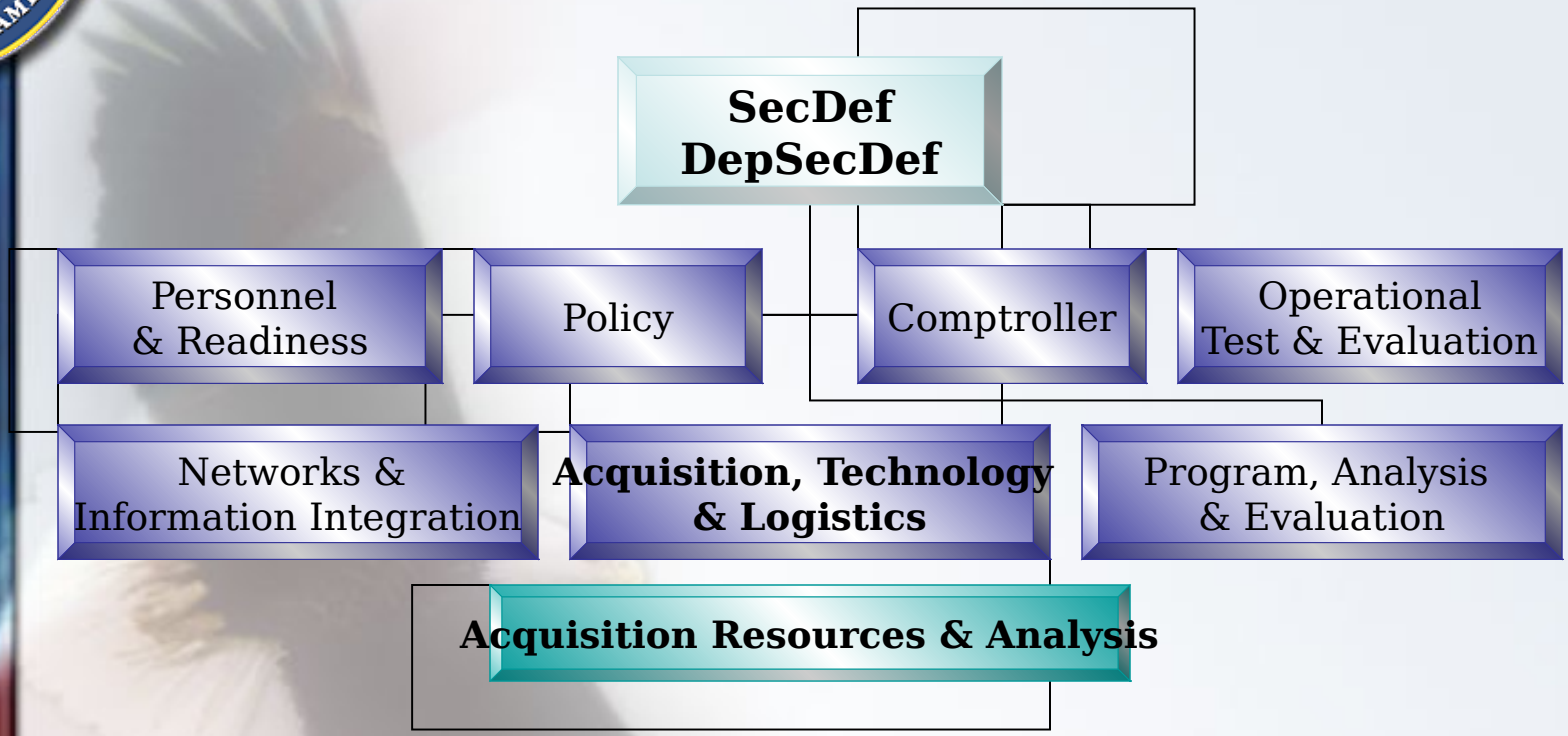
Agenda

- OUSD(AT&L)/Acquisition Resources and Analysis Responsibilities
- Transforming Acquisition Oversight
- Performance Management Initiatives
- Earned Value Management Policy

Office of the Secretary of Defense



ARA Responsibilities

- **Provide independent advice and analysis to USD(AT&L) on Major Defense Acquisition Programs:**
  - Program execution, management, and structure
  - Policies and processes
- **Defense Acquisition Board (DAB) Review Process:**
  - DAB Executive Secretary
  - Drafts USD(AT&L) Acquisition Decision Memoranda
  - Focal Point for Acquisition Strategies
- **Acquisition Reporting:**
  - Acquisition Program Baselines
  - Selected Acquisition Reports
  - Unit Cost Reports
  - ***Earned Value Management***
- **Defense Acquisition Executive Summary (DAES) Review Process**
- **Central OUSD(AT&L) focal point for AT&L participation in:**
  - all phases of the PPBE process,
  - the Department's funds control process, and
  - the Department's responses to external organizations (e.g., Congress, GAO, IG, and OMB)

Transformation Mandate

"The United States will…*transform* America's national security institutions to meet the challenges and opportunities of the twenty-first century."

President George W. Bush

September 2002

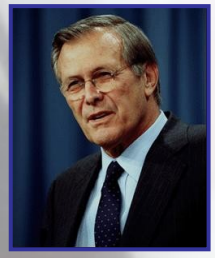
"The Department currently is pursuing *transformational business and planning practices* such as adaptive planning, a more entrepreneurial, future-oriented capabilities-based resource allocation process, accelerated acquisition cycles built on spiral development, output based management, and a reformed analytic support agenda."

Secretary of Defense Donald Rumsfeld

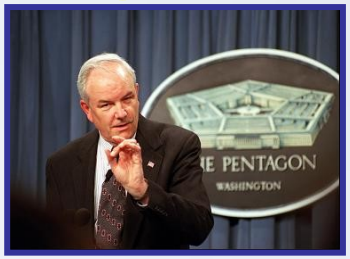
Transformation Planning Guidance

April 2003

Goals and Transformation



Leadership Alignment



SECDEF Top 10 Priorities

1. Successfully Pursue the Global War on Terrorism
2. Strengthen Combined/Joint Warfighting Capabilities
3. Transform the Joint Force
4. Optimize Intelligence Capabilities
5. Counter Proliferation of WMD
6. Improve Force Manning
7. New Concepts of Global Engagement
8. Homeland Security
9. **Streamline DoD Processes**
10. Reorganize DoD and USG to Deal with Pre-War Opportunities and Post-War Responsibilities

Goal Alignment

USD(AT&L) Seven Goal

1. **Acquisition Excellence with Integrity**
2. Logistics - Integrated and Efficient
3. Systems Engineering Philosophy Restored
4. Technology Dominance
5. Resources Rationalized
6. Industrial Base Strengthened
7. Motivated, Agile Workforce

Acquisition Excellence with Integrity

- **Bring Joint Capabilities Perspective to Acquisition**
  - Move from system-oriented to capabilities-based focus
  - Align acquisition review processes with Joint Staff Functional Capabilities Areas (FCAs)
    - Map all programs to FCAs
    - Restructure DAB and DAES processes
- **Shorten Acquisition Cycle Time**
  - Increase use of evolutionary acquisition (incremental and spiral development)
  - Maximize use of mature and commercial technology
  - Expand use of technology demonstrations
- **Increase Accuracy and Credibility of Cost Estimates**
- ***Streamline Acquisition Oversight Processes***

Performance Management Initiatives

- Defense Acquisition Management Information Retrieval (DAMIR)
- Work Breakdown Structure (WBS) Handbook
- EVM Web Sites
- International Performance Management Council (IPMC)

DAMIR

- Streamlines program management by eliminating burdensome reporting
- Allows OSD to perform its oversight role and respond to OMB and Congress
- Leverages existing data sources
- Reduces non-value added workload up and down the chain
- Enables two-way information flow
- Allows OSD to “pull” data as needed from official sources
- Will replace current legacy CARS

DAMIR Earned Value Pilot

- EV selected for prototype because
  - Data is known to be available
  - Timeliness of EV data is an issue
- EV data pull from Service/program office
- Consists of presentation layer, web services data “pull” software, and change management
- Will operate on the unclassified network with access via the web
- Army pilot in progress
- Replaces legacy EV CARS field data input
- Implementation expected in September 2004

WBS Handbook

- **MIL-HNBK 881 last published January 1998**
- **Update needed to:**
  - Incorporate changes to DoD acquisition policy
  - Add/improve upon definitions of WBS for space, ships, and aircraft (especially UAVs)
  - Clarify application for system-of-systems/family-of-systems approaches
  - Update software definitions; add risk analysis for cost/engineering tradeoffs
- **Working with OSD CAIG to ensure product meets needs of both program management and cost estimating communities**
- **AT&L in process of awarding contract (6-month effort expected to begin in June 2004)**
- **User friendly, web accessible final product**

EVM Web Sites

- **OSD EVM web site**

  (http://www.acq.osd.mil/pm)
  - Noteboard transferred to ACC in January 2004
  - Additional updates/improvements to OSD site coming soon
  - OSD site to continue with links to other electronic sources (DCMA, PMI, etc.)
- **AT&L Acquisition Community Connection (ACC) on DAU web site**

  (http://acc.dau.mil/evm)
  - EVM now “Special Interest Area”
  - Discussion forum up and running
  - Next step - elevate to “Community of Practice”

IPMC

- Ten-year MOU signed by Australia, Canada, and the United States in 1995
- Bi-lateral agreements enabled United Kingdom and Sweden to subsequently join
- Japan also became member with new interest from Japanese Defense
- Comprehensive framework of international collaboration on project management
- IPMC activity reinvigorated at Fall conference
- Australia is current chair
- IPMC meets at least annually to exchange information and share best practices
- MOU expires in November 2005 - OSD working to extend agreement for another 10 years

Earned Value Management Policy

- Current EVM Policy/Guidance
- Proposed New Policy/Guidance
- Follow-On Actions
- Next Steps

Current EVM Policy

- **DoD Directive 5000.1,** The Defense Acquisition System, May 12, 2003 – EVM is not addressed
- **DoD Instruction 5000.2,** Operation of the Defense Acquisition System, May 12, 2003 – EVM is a Regulatory Information Requirement (Table E3.T2)
  - Implement EVM guidelines in ANSI/EIA-748 on contracts/agreements over designated dollar thresholds (RDT&E – over $73M, Procurement – over $315M)
  - Conduct Integrated Baseline Reviews (IBRs)

Current EVM Guidance

- **DoD Regulation 5000.2-R**, Mandatory Procedures for MDAPs and MAIS Acquisition Programs, April 5, 2002
  - Canceled as a “regulation” - remains in effect as an “interim guidebook” (dated October 30, 2002) until replaced
  - Not mandatory, but should be used for best practices, lessons learned, and expectations
- **Defense Acquisition Guidebook**
  - Under development—EVM Chapter 12
  - Updating/revising EVM contents
  - DFARS also being updated
  - Electronic publication expected Summer 2004
- **Program Managers’ Guide to the Integrated Baseline Review Process**

Highlights of Proposed Changes

- New dollar thresholds for cost and incentive contracts – no differentiation between development and production
- Revise CPR DID (rename “Contract” Performance Report)
- Eliminate C/SSR and CPR-No Criteria – stricter conformance to industry EVM guidelines
- Revise IMS DID and link to CPR
- IBR required when EVM required
- EVM on FFP contracts is risk-based decision

Proposed New Policy/Guidance

Contracts	Thresholds	Requirements
Cost and Incentive Above Threshold	> $50M	- Compliance with industry EVM guidelines - Formal validation of contractor's EVM system - Contract Performance Report - Integrated Master Schedule - Integrated Baseline Review - Ongoing surveillance
Cost and Incentive Above Threshold	> $20M	- Conformance to industry EVM guidelines (formal system validation not required) - Contract Performance Report (tailored as appropriate) - Integrated Master Schedule (tailored as appropriate) - Integrated Baseline Review - Ongoing surveillance
Cost and Incentive Less Than Or Equal To Threshold Plus All	≤ $20M	- Risk-based decision left to discretion of program manager - Ongoing surveillance

Follow-On Actions Completed

- **Release policy paper and revised DIDs for government and industry comment**
  - NDIA PMSC meeting (April 28, 2004)
  - ACC web site – http://acc.dau.mil (April 29, 2004)
- **Present policy changes at PMI-CPM conference (May 12, 2004)**
- **Comments due by June 14, 2004**
  - Government – through respective DoD Working Group representative listed on ACC
  - Industry – through NDIA PMSC

Follow-On Actions In Progress

- **Finish business case on potential cost impacts of policy changes**
- **Develop tailoring guidance**
  - CPR – place in EVMIG
  - IMS – place in EVMIG (or IMP/IMS Guide); transfer ownership of DID from Air Force to OSD
- **Develop guidelines for applying EVM on FFP contracts – place in EVMIG**
- **Define what ANSI Conformance–No Validation means – place in EVMIG**
- **Update EVMIG**
  - Remove EVM guidelines
  - Insert tailoring guidance, how to contract for EVM
- **Develop common DoD IBR Handbook?**

Next Steps

- **Joint Government/Industry Working Group meeting July 13-14, 2004, at DAU (Fort Belvoir)**
  - Disposition comments on policy changes
  - Develop plan to address issues/concerns
- **Status report to senior government and industry officials on Defense Acquisition Excellence Council (DAEC) in July/August 2004**
- **After approval of policy changes**
  - Update DoD 5000.2 (issue interim policy if necessary)
  - Update Defense Acquisition Guidebook
  - Update DFARS clauses
  - Publish revised DIDs
  - Publish revised EVMIG

Acquisition Community-Wide Effort

- **Critical Success Factors**
  - Coordination and collaboration across organizational boundaries to provide the best possible support to the acquisition community
  - Collective pursuit of acquisition community transformation vision and goals
  - Unified coalition of acquisition leadership who actively communicate to stakeholders in “one voice”
  - Decision-making from an enterprise-perspective
  - Dedicated, knowledgeable change agents to plan for and execute transformation management activities within their communities

Engage acquisition leaders and stakeholders at all levels

Closing Thoughts

- **OSD putting more focus on EVM**
- **Our goal is to ensure performance management processes are effective, consistent, and reflective of current industry best practice**
- **We need your support to bring about c**

Working together is *the* key to success